

**REPORT BY THE CHAIRMAN OF THE BOARD OF DIRECTORS ON CORPORATE  
GOVERNANCE AND INTERNAL CONTROL**

Dear Shareholders,

Pursuant to section L 225-37 of the French Commercial Code, as Chairman of the Board of Directors of Atos Origin (hereinafter the "Company"), let me present first of all the preparation and organisation conditions of the work of the Board of Directors since its setup on 10 February 2009, and secondly, the internal control procedures set up within the Group.

The Board of Directors approved this Report during its meeting of 18 March, 2010.

## CORPORATE GOVERNANCE

On 10 February 2009, the General Shareholders' Meeting of the Company decided to modify the Company's corporate governance. The Company kept its legal form ("*société anonyme*") but replaced its existing Supervisory Board with a Board of Directors.

This new governance structure, which is more tailored to the Group's situation, allows for the necessary reactivity to implement the transformation and necessary actions to ensure growth and profitability in a difficult economic environment.

The Board decided not to separate the offices of Chairman of the Board and Chief Executive Officer in order to comply with its announced commitments to the shareholders when transforming the Company's governance. The powers of the Chairman of the Board and Chief Executive Officer are described in the "Provisions of the articles of association" section of the Annual Report.

Pursuant to the "reflexion paths" mentioned by the AMF in its "2009 Report on corporate governance and internal control" of 8 December 2009, the Board of Directors, upon suggestion by the Nomination and Remuneration Committee, appointed Jean-Philippe Thierry as referent director (meeting of 17 December 2009).

French legislation and rules published by market regulatory authorities apply to the Company's governance. The Company deems that the implementation of its corporate governance principles is adequate and in conformity with related applicable French best practices.

The Company refers to the recommendations set out in the Corporate Governance Code of listed companies issued by the AFEP and the MEDEF in December 2008 and has decided to use the code as a reference in terms of corporate governance. This Code is available on the website: [www.code-afep-medef.com](http://www.code-afep-medef.com)

During its meeting of 19 November 2009, one year after having subscribed to the recommendations issued by the AFEP and the MEDEF on 6 October 2008, the Board of Directors ensured that the Company correctly implemented the provisions of the code and confirmed the subscription by the Company to these recommendations.

In particular, during the 2009 financial year, upon suggestion by the Chairman of the Board of Directors, the agenda regularly contained points on the corporate governance of the Company. The Board therefore regularly discussed such issues pursuant to the Chairman's wishes and to the Company's commitment to implement good corporate governance principles under the responsibility of the Board of Directors. The Board has consistently expressed its will to take into account, and sometimes anticipate, recommendations from various bodies working on the improvement of corporate governance for listed companies whenever such recommendations are in line with the interests of the Company and of its shareholders.

Therefore, many such systems have already been put in place by the Board of Directors, upon the Chairman's request. Such systems include putting an end to "golden parachutes" in the Company, the deferral to 31 December 2009 of the benefit of the top-up pension of the Company for the Chairman of the Board and Chief Executive Officer as well as the capping of his variable remuneration, even where the Company has exceeded its performance in 2009 and 2010.

In the same spirit, the Board also noted that since the publication of the AFEP-MEDEF recommendations, an international consensus has built around the will to better integrate the durability of companies' operational success within differed remuneration systems, as proven this year in particular and for example at the G20 Summit in Pittsburgh.

In order to take into account the Company's will to adapt such mechanisms to an ever-evolving regulatory environment which is only just starting to stabilize and generate consistent interpretations, the Chairman and the Senior Executive Vice Presidents suggested to the Board to toughen in time the terms and conditions of the stock option plan to which they are beneficiaries. The Board welcomed this suggestion and consequently adjusted the plan, aiming at reinforcing the exercise conditions of the plan to which the Top Management is a beneficiary in order to comply with the most demanding requirements of corporate governance. In addition, the Company has obtained an opinion from Towers Perrin (specialized firm in director compensation) which concluded that the stock-option plan is in conformity with the recommendations of the AFEP-MEDEF Code of December 2008.

The rules and principles according to which the Company has determined the remuneration and interests of directors and legal representatives are described in the "Director's Remuneration and Shareholding" section of the Annual Report.

The rules pertaining to the participation by shareholders to the General Shareholders Meetings are described in the "Legal Information" section of the Annual Report.

Factors which may influence take-over bids are described in the "Legal Information" section of the Annual Report.

### Composition and functioning of the Board of Directors

On 31 December 2009, the Board of Directors is composed of eleven members: Thierry Breton (Chairman of the Board and Chief Executive Officer), René Abate, Behdad Alizadeh, Nicolas Bazire, Jean-Paul Béchat, Ms. Jean Fleming (director representing employee shareholders, appointed during the Ordinary and Extraordinary General Shareholders Meeting of 26 May 2009), Bertrand Meunier, Dominique Mégret, Michel Paris, Pasquale Pistorio, Vernon Sankey and Jean-Philippe Thierry.

NB: The following table mentions Dominique Mégret who resigned as from 17 December 2009:

Name	Nationality	Age	Date of appointment	Committee member	Term of offices (*)	Number of shares held
René Abate	French	61	2009		2011	1 000
Behdad Alizadeh	American	48	2009	N&R	2011	1 000
Nicolas Bazire	French	52	2009	N&R	2011	1 000
Jean-Paul Béchat	French	67	2009	A	2011	1 000
Thierry Breton	French	54	2009		2011	5 000
Ms. Jean Fleming(**)	British	40	2009		2011	438
Dominique Mégret	French	62	2009		2011	1 000
Bertrand Meunier	French	53	2009	N&R	2011	1 000
Michel Paris	French	52	2009	A	2011	1 000
Pasquale Pistorio	Italian	73	2009	A	2011	1 000
Vernon Sankey	British	60	2009	A	2011	1 000
Jean-Philippe Thierry	French	61	2009	N&R	2011	1 500

A: Audit Committee;

N&R: Nomination and Remuneration Committee

(\*) Annual General Meeting deciding on the accounts of the year

(\*\*) Director representing employee shareholders

Pursuant to the articles of association, each director must own at least 1,000 shares. This rule however does not apply to the director representing employee shareholders<sup>1</sup>.

The Internal Rules govern the work of the Board of Directors. They specify the rules on composition, functioning and the role of the Board, remuneration of directors, evaluation of the works of the Board, information of directors, the role and competence of the Committees of the Board – the Audit Committee and the Nomination and Remuneration Committee, the specific missions which can be granted to a director and the confidentiality obligations imposed on directors.

As soon as appointed, a copy of the Internal Rules as well as the Charter of the Board of Directors and the Guide to the Prevention of Insider Dealing are given to the directors who subscribe to these documents. The content of these documents is described more specifically in the “Codes and Charts” section of the Annual Report.

The mission of the Board of Directors is to determine the strategy and the trends of the Company's activity and to oversee their implementation. Moreover, the Board of Directors decides on the separation of the offices of Chairman of the Board and Chief Executive Officer, appoints managing legal representatives and rules on the independence of directors on a yearly basis, eventually imposes limitations on the powers of the Chief Executive Officer, approves the Chief Executive Officer Report, convenes the General Meetings and decides on the agenda, undertakes controls and verifications which it deems opportune, the control and audit of the sincerity of the accounts, the review and approval of the accounts, the communication to the shareholders and to the market of high quality information.

#### **Definition of an “independent member” of the Board of Directors**

The Corporate Governance Code of the AFEP and the MEDEF of December finds a director as independent where “he or she has no relationship of any kind whatsoever with the corporation, its group or the management of either that is such as to colour his or her judgment”. The AFEP/MEDEF Code also determines that a certain number of criteria must be reviewed in order to determine the independence of a director:

- “Not to be an employee or executive director of the corporation, or an employee or director of its parent or a company that it consolidates, and not having been in such a position for the previous five years;
- Not to be an executive director of a company in which the corporation holds a directorship, directly or indirectly, or in which an employee appointed as such or an executive director of the corporation (currently in office or having held such office going back five years) is a director;
- Not to be a customer, supplier, investment banker or commercial banker that is material for the corporation or its group or for a significant part of whose business the corporation or its group accounts;
- Not to be related by close family ties to an executive director;
- Not to have been an auditor of the corporation within the previous five years;
- Not to have been a director of the corporation for more than twelve years.”

As regards directors representing significant shareholders of the corporation or its parent, these may be considered as being independent, provided that they do not take part in control of the corporation. In excess of a 10% holding of stock or votes, the Board, upon a report from the Nomination and Remuneration Committee, should systematically review the qualification of a director as an independent director, having regard to the make-up of the corporation's capital and the existence of a potential conflict of interest.

The Board of Directors, with the support of the Nomination and Remuneration Committee, has led a specific review on the independent status of each of its members, relying on the above-mentioned criteria. On this basis, five out of the twelve members of the Board are not considered as independent, namely Behdad Alizadeh, Dominique Mégret, Bertrand Meunier and Michel Paris because of their function as managers (employees) of significant shareholders of the Company (more than 22% for PAI Partners, represented by Dominique Mégret, Bertrand Meunier and Michel Paris, and more than 10%

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<sup>1</sup> Pursuant to section 16 of the articles of association

for Pardus, represented by Behdad Alizadeh), as well as Ms. Jean Fleming as representative of employee shareholders and employee of a subsidiary of the Company.

The Board of Directors focused more precisely on the status of Nicolas Bazire, given his mandate as member of the Supervisory Board of Rothschild & Cie Bank, and the punctual business relations the Company may have entered into with this corporate bank. The Board of Directors has deemed that, in this case, Nicolas Bazire should be qualified as an independent member.

### **Meetings of the Board of Directors**

Pursuant to the articles of association and the Internal Rules, the Board of Directors has met as often as necessary. During the 2009 financial year, the Board of Directors has met 16 times. Attendance of directors at these meetings was an average of 89.25%.

The Board of Directors met to discuss the following topics:

- Review and approval of the budget
- Review of quarterly results and forecast
- Review of financial presentations and press releases
- Review of and approval of consolidated half year and yearly accounts
- Review of strategic trends of the Group
- Review and approval of new governance documents (Internal Rules, Charter of the Board of Directors, Guide to the Prevention of Insider Trading)
- Review of the adaptation of the Group's organisation and transformation plan
- Review and approval of stock-option plans set up to develop the loyalty of the Group's management and key employees
- Review of off-balance commitments and risks
- Review of certain strategic contracts
- Optimisation of the Group's financing sources and the issuance of bonds convertible onto and/or exchangeable for new or existing shares (OCEANE)

Certain members of the Board also focused on particular corporate governance issues within two permanent committees:

- The Audit Committee and
- The Nomination and Remuneration Committee.

The members of these Committees are appointed by the Board of Directors from among its members. The competences of these Committees are governed by the Internal Rules of the Board of Directors. The Committees are solely advisory in preparing the works of the Board which is the only decisive and liable entity. They report to the Board of Directors. Their recommendations are discussed at length during the meetings, where applicable, on the basis of the documentation generated by the Committees.

### **The Audit Committee**

The mission of the Audit Committee is to prepare and facilitate the work of the Board of Directors. It provides assistance to the Board of Directors in its analysis of the exactness and sincerity of the Company's statements and consolidated financial statements. The Audit Committee also looks to the quality of internal controls and the information given to shareholders and to the market. In order to fulfil its mission, the Audit Committee is periodically informed of major risks, including litigation and off-balance commitments.

During the 2009 financial year, the Audit Committee was composed of 4 members (3 out of the 4 members, including the Chairman of the Committee being independent members): Jean-Paul Béchat (Chairman), Vernon Sankey, Michel Paris and Pasquale Pistorio. Pursuant to the 8 December 2008 Decree, the Audit Committee has at least one member, including its Chairman, with financial or accounting qualifications, acquired by professional experience.

In 2009, the Audit Committee met 7 times. Attendance of members to the meetings exceeded 80%.

The statutory auditors, the Senior Executive Vice-president in charge of Global Functions, the Group Chief Financial Officer, the Head of Accounting, the Head of Internal Audit, the Head of Risk Management and the Group General Counsel attended certain of these meetings depending on the issues discussed.

The Audit Committee reviewed the quarterly Group financial reporting package addressed to the Board. It was regularly informed of the Group's financial strategy and its implementation. It was informed on the terms and conditions of significant contracts (including the risk management aspect of such contracts). It also regularly reviewed the status of the major existing contracts (on the basis of approvals delivered under the risk management programs as previously described). The Audit Committee examined the accounting and financial documents to be submitted to the Board. It also received reports from the statutory auditors on the conclusions of their work. A specific session was held, as it is each year, in addition to ordinary meetings, in order to review specific contractual commitments, major contracts, risks and losses declared.

During its 7 meetings held in 2009, the Audit Committee reviewed both recurring and specific matters, as listed hereafter:

- Recurring matters:
  - Quarterly financial information to the Board of Directors;
  - Statutory external auditors, reports on audit and internal control plan;
  - Internal control audit plans and recommendations;
  - Risk management reports for existing and new contracts;
  - Material claims and litigation (including tax audits).
  
- Specific matters:
  - Follow up of the renegotiation of the Dutch pension funds;
  - Follow up of credit management
  - Follow up of the risks relating to the bankruptcy proceedings against Arcandor (customer of the German subsidiary of the Group);
  - Full review of tax structure and exposure of the Group.

### **The Nomination and Remuneration Committee**

The mission of the Nomination and Remuneration Committee is to prepare and facilitate the decisions of the Board of Directors in the areas which fall within its scope.

With regard to nominations, the general scope of the Nomination and Remuneration Committee is to assist, review and, where applicable, submit to the Company all applications to the General Shareholders Meeting for the appointment as member of the Board of Directors or, if called upon for such purpose, to review an application for manager, and to advise or issue recommendations to the Board of Directors on such applications.

The Nomination and Remuneration Committee reviews significant operations which could create a potential conflict of interest between the Company and the members of the Board. The qualification of "independent" director is prepared every year within the Nomination and Remuneration Committee and reviewed and discussed by the Board of Directors prior to the publication of the Annual Report on a yearly basis.

With regard to remuneration, the mission of the Nomination and Remuneration Committee is to make suggestions on the overall, total and fixed remuneration as well as the applicable criteria for variable remuneration of the Chairman of the Board and Chief Executive Officer.

The Nomination and Remuneration Committee also partakes in the analysis of the principles of the Company's and its subsidiaries' profit-sharing plan for employees. Its mission is also to make suggestions on decisions to grant stock-subscription option rights of the Company's shares for the legal representatives and all or part of the employees of the Company and its subsidiaries.

With regard to the members of the Board of Directors, the Committee suggests each year the amount of the envelope for directors fees which will be submitted to the approval of the General Shareholders' Meeting, as well as the conditions of distribution of the fees among directors. The Committee takes into account the attendance of the directors to the various meetings of the Board

and the Committees of which they are members but also the level of responsibility endorsed by the directors, as well as the time they dedicate to their function.

The Committee also makes recommendations on the pensions, benefits and financial rights of the legal representatives of the Company and its subsidiaries.

During the 2009 financial year, the Nomination and Remuneration Committee was composed of 4 members (2 out of the 4 members being independent members): Behdad Alizadeh (Chairman), Jean-Philippe Thierry, Nicolas Bazire and Bertrand Meunier.

In 2009, the Nomination and Remuneration Committee met 5 times. Attendance of members to the meetings was an average of 90%.

The Head of Human Resources and the Group General Counsel also attended the meetings.

During its 5 meetings held in 2009, the Nomination and Remuneration Committee particularly focused on the review, in order to assist the Board in its decisions, of the following topics

- Conditions of distribution of the directors fees
- Determination of the variable remuneration of the Chairman of the Board and Chief Executive Officer for 2009 and the definition of performance objectives
- Determination of the variable remuneration for the members of the Management Board for 2008 and 2009
- Determination of the performance conditions for the stock-option plans
- Grant of stock-options to managers and employees of the Group
- Review of the derogatory participation plan set up in France pursuant to the AFEP/MEDEF recommendations
- Results of the LTI 2007 and LTI 2008
- Supplementary pension plan of the members of the Executive Committee and the Chairman of the Board and Chief Executive Officer
- Conditions to the appointment of a director representing shareholder employees
- Determination of independent members of the Board

### **Assessment of the work of the Board of Directors**

The Board of Directors shall assess its capacity to meet the expectations of the shareholders by periodically analysing its composition, organization and functioning, as well as the composition, organization and functioning of its committees. In particular, it shall analyse the methods by which the Board of Directors and its Committees function, consider the desired balance of its composition, periodically reflect upon whether their tasks are appropriate to their organization and functioning, ensure that the important questions have been suitably prepared and discussed and measure the actual contribution of each director to the work of the Board of Directors and its committees, according to his or her skills and involvement in the discussions.

For this purpose, the Internal Rules of the Board of Directors provide that, once a year, the Board of Directors shall devote one item on its agenda to the discussion of its functioning and inform the shareholders each year, in the annual report, of the conducting of these assessments and the subsequent follow-up.

In 2006, the Company carried out a formal assessment of the work of its Supervisory Board. This assessment had been entrusted to an external counsel. For the 2007 and 2008 financial years, on the basis of a questionnaire circulated to the directors, the Board carried out a self-assessment of its work. The outcome of these assessments was recorded in the reference document of the Company.

In order to ensure both the compliance of its governance practices with the AFEP/MEDEF recommendations and the adequacy of its work to its mission and the expectations of the shareholder, the Board, during its meeting of 17 December 2009, decided to complete the assessment of the governance practices of the Company performed during its meeting of 19 November 2009 by an

evaluation formalized assessment of its work under the supervision of its referent director, Jean-Philippe Thierry.

The formalised assessment lead in 2009 included the following points:

- Institutional diagnosis: appreciation of the transcription of the corporate governance in the institutional documents of the Company (compliance with the recommendations and codes, functioning of the Board, specialized Committees of the Board, remuneration of directors, relations with the shareholders);
- Assessment of the work of the Board strictly speaking: evaluation of the stakes and actual means of functioning of the Board and its Committees by integrating the points of view of various governance stakeholders (procedures of the Board, work of the Board, relations with management/Executive Committee).

On the first point, the Board carried out an exhaustive review of the governance practices of the Company. It dedicated a specific meeting on these questions (meeting of the Board of 19 November 2009) in order to assess the compliance of the Company's practices with the relevant recommendations, and more particularly:

- the principle of a yearly review by the Board of the compliance of its governance principles, in particular relating to the remuneration of directors, with the AFEP/MEDEF recommendations;
- validation of the Company's subscription to the AFEP/MEDEF recommendations;
- approval of the document relating to this subscription;
- approval of the press release on the Board's review of the compliance of its governance principles with the AFEP/MEDEF recommendations one year after their implementation.

The outcome of this assessment has been published by way of a press release on 20 November 2009.

On the second point, the review was carried out on the basis of the following three points:

- statistical analysis of the participation of the directors to the work of the Board and its two Committees;
- individual interviews between the referent director and the directors;
- a questionnaire circulated to the directors on issues relating to the functioning of the Board as well as on its focus on corporate governance issues.

The following points emerged from the interviews by the referent director of all the directors:

- on the issues pertaining to corporate governance, all directors appreciate the focus given to the strictest respect of good corporate governance rules both by the practice of the management of the Company and by the work of the Board. The directors highlighted the frequency of the meetings of the board, the attention given to corporate governance issues in general, as well as the will to inform and associate the Board on significant projects;
- on the functioning of the Board, the directors have highlighted the significant progress made in circulating useful documentation prior to discussions, as compared to preceding years, which is an issue that had been raised during previous assessments. On other matters, the directors appreciate the existing exchange of point of views between the management of the Company and the Board. More specifically, during the meeting of the Audit Committee reviewing the information allowing for the drafting of the annual statements, the quality of the information and the transparency of the Company towards the directors and the auditors were highlighted.
- on issues discussed by the Board on topics of interest shared by the management of the Company, the directors have expressed the wish to be given comparative sectorial studies though they acknowledge that the weight of Atos Worldline in the Group impairs any global comparison. To this end, the directors wish that the efforts made in 2009, with a specific yearly meeting of the Board dedicated to a detailed review of strategic options of the Company (meeting of 17 December 2009), be made permanent during the year 2010.

The information collected during the assessment of the work of the Board, both after the individual interviews lead by the referent director and by the questionnaires filled by the directors, allows to draw the following conclusions:

- the dynamic functioning of the Board allows it to fully undertake the role which has been put upon him by applicable legislation;
- the Company and the Board share a significant interest on issues pertaining to corporate governance;
- the flow of information from the Company to the Board has been sensibly improved over the past year, allowing for the improvement of the working conditions of the Board
- the directors wish for an effort from the Company in transmitting a more exhaustive yearly sectorial documentation.

With regard to the conclusions drawn from the assessment of the work of the Board, the following actions are suggested, with a follow-up from the referent director:

- ensure that at least one yearly meeting of the Board shall be exclusively on the strategic options of the Company, preferably during the second semester;
- during this meeting, present the Board with a full sectorial benchmark;
- during the meetings of the Board on the review of half-year and annual accounts, compare the main sectorial performance indicators whenever available.

## **INTERNAL CONTROL**

The internal control system whose definition is stated in section 24.2.1 below and designed within Atos Origin relied on the internal control reference framework prescribed by the AMF (Autorité des Marchés Financiers).

The "general principles" section of the AMF framework has been used to describe in a structured manner the components of the internal control system of Atos Origin (see section 24.2.2).

Specific attention has been given to the internal control system relating to accounting and financial information (section 24.2.3), in compliance with the application guide of the AMF.

Internal control players have been described in section 24.2.4.

The Chairman of the Board of Directors had entrusted the preparation of the section of the Report from the Chairman of the Board of Directors on internal control procedures to the Group Internal Audit Department. This preparation has been reviewed by the Group Finance Director and the Executive Director in charge of Global Functions. The information reported below has been extracted from this preparation.

### **Internal control definition and objectives**

Internal control system designed throughout the parent company and its subsidiaries (together referred to as the "Group" or the "Company") aim to ensure:

- compliance with applicable laws and regulations;
- application of instructions and directional guidelines settled by General Management;
- correct functioning of company's internal processes particularly those implicating the safeguarding of its assets;
- reliability of financial information.

One of the objectives of internal control procedures is to prevent and control risks of error and fraud, in particular in the accounting and financial areas. As for any internal control system, this mechanism can only provide reasonable assurance and in no event gives an absolute guarantee against these risks.

### **Components of internal control system**

The internal control system within Atos Origin is a combination of closely related components that are detailed hereafter.

### **ORGANIZATION/CONTROL ENVIRONMENT**

The organisation, competencies, systems and policies (methods, procedures and practices) represent the ground layer of the internal control system and the fundamentals of the Group in the matter. The main components are presented in this section.

**Matrix organisation:** Atos Origin runs a matrix organisation structure that combines Operational Management (Countries) and Functional Management (Service lines, Sales and Markets and Support Functions). This constitutes a source of control with a dual view on all operations (Country/Service line).

**Policies and procedures:** The Group has designed and implemented over the last years several policies and procedures in order to establish common practices and standardised methods. These policies and procedures are reviewed when necessary to be in line with the objectives of the Group. Some of these key policies and procedures included:

- **The Code of Ethics:** As Atos Origin has pays a particular attention to compliance with ethical rules in connection with the conduct of its operations, a Code of Ethics established and adopted by the Management Board sets out the principles applicable to conflicts of interest, insider trading and business ethics (see specific section on Code of Ethics).
- **Delegation of Authority:** A formal policy sets out the authorisation of officers of subsidiaries to incur legal commitments on behalf of the Group with clients, suppliers and other third parties. The intention of these rules is to ensure efficient and effective management control from the country level to General Management level. The delegation of authority policy was rolled-out under the supervision of the Group Legal department.
- **Segregation of Duties:** Updated rules for segregation of duties have been implemented in the organisation. A program is managed to follow-up the improvement of segregation of duties, including functional review of segregation of duties and review of procedures for profiles attribution. Tooling has been used to perform automatic assessments of those rules in the systems.
- **Atos Rainbow™:** Rainbow is a set of procedures and tools that provides a formal and standard approach to bid management, balancing sales opportunities and risk management for all types of opportunities, as well as continuous guidance and control for the decision-making process. Rainbow is the means by which Atos Origin's management is involved in controlling and guiding the acquisition of the Group's contracts. Above specific thresholds Rainbow reviews are performed at Management Board level.
- **Operational policies and procedures** have also been implemented in all departments. The main impacting policies and procedures in terms of internal control (regarding authorizations and ethics) include "Payment & Treasury Security Rules", "Purchasing Code of Conduct", "Pension Governance", "Investment Committee", "Legal Handbook" and "Credit Risk Policy".

**Human Resource Management:** A Group Human Resource management policy has been designed through the *Global Capability Model* (GCM) which is a standard for categorising jobs by experience and expertise across the Group. It helps employees in to be aware of their responsibility through job description; it helps managers in recruitment and rewarding; and it helps the Operations in resourcing and budgeting. A Group Policy on bonus scheme completes this organisation by setting additional incentives.

**Information Systems:** Group Business Process and Internal IT department are in place to provide common internal IT infrastructures and applications for Atos Origin staff worldwide. It supports functions like Finance (accounting and reporting applications), Human Resources (resourcing tool, corporate directory) or Communication (Group websites and intranet).

In 2009, a new Purchase requisition tool (Spring) has been deployed in the main countries in order to strengthen and streamline the internal authorization process regarding external purchases; it is interfaced with the Group ERP system.

Security and access to these infrastructures and applications as well as their reliability and performance are managed by this department and benefit from the core expertise and resources from the Group.

## **COMMUNICATION OF RELEVANT AND RELIABLE INFORMATION**

Several processes are in place to ensure that relevant and reliable information is communicated on a timely manner to relevant players within Atos Origin.

**A shared ERP system** is deployed and used in the main countries of the Group. With India, Singapore, Malaysia and Hong Kong adopting this system in 2009, all main countries are now using the same ERP, enabling easier exchange of operational information.

**Formal information reporting lines** have been defined, following the operational and the functional structures. This formal reporting, based on standard formats, concerns both financial and non financial information. Communication of relevant information is also organized in the Group through several specialised escalation processes that define criteria to raise issues to the appropriate level of management, up to General Management for the most important ones. This covers a wide range of topics like operational risks (through Risk Management Committees), treasury (with Payment and Treasury Security Committee), or financial restructuring (Equity Committee).

This bottom-up communication is accompanied by top-down instructions, issued regularly, and especially for budgeting and financial reporting sessions.

**A dedicated intranet site** is accessible to all employees which facilitates the sharing of knowledge and issues raised by the Atos Origin internal communities. This global knowledge management system promotes collaboration and allows efficient and effective information transfer.

### **SYSTEM FOR RISK MANAGEMENT**

Risk management refers to means deployed in Atos Origin to identify and analyse risks. Although risk management is part of a manager's day to day decision making process, specific formal initiatives have been led concerning risk management:

**The risk mapping** has been updated in 2009, in order to identify and assess risks that may impact the objectives of the Group. The selected methodology involved the managers of the Group TOP400 through interviews and questionnaires, to collect their perception of the main risks that may impact Atos Origin objectives, their potential impact and likelihood.

This assessment has covered potential risks related to our environment (stakeholders, natural disasters), the transformation & business development (evolution, culture, market positioning), our operations (clients, people, IT, processes) and the information used for decision making (financial and operational).

Results have to be shared with General Management, to ensure that appropriate measures are deployed to manage the main risks, and presented to the Audit Committee.

**The Risk Analysis** (as detailed in *"risks" section of the 2009 Annual Report*) presents the Group's vision of the main business risks, as well as the way those risks are managed. This includes the contracting of several insurance policies to cover primary insurable risks including the protection of Group assets (production sites and datacenters) and people. Operational risks on projects have previously been managed by the Risk Management function (including a Group Risk Management Committee who met monthly to review the most significant and challenging contracts. Control activities have also been implemented (through the Book of Internal Control), on the basis of main risks identified, as described next section related to "control activities".

### **CONTROL ACTIVITIES**

Atos Origin's key control activities are described in the Book of Internal Control (BIC). This document, sent out to all entities by the Management Board, complements the different procedures by addressing the key control objectives of each process to achieve a convenient level of internal control.

For each control objective, one or more control activities (including control activities' description, evidences, owners and periodicity) have been identified in order to formalize Group's expectations in terms of control.

The Book of Internal Control covers not only the financial processes, but also delivery processes (like contract management), support processes (including legal, purchasing, HR or IT) and some management processes (Mergers and Acquisitions):

- **HR and Pensions' Management:** control activities have been designed regarding identification and management of evolutions of Labour laws in countries where the Group operates, treatment of payroll, control of employment contracts, recruitment and termination processes, etc...;

- **Legal:** on top of the Delegation of Authority mentioned above, control activities have been designed on rules for customer contracts, trademarks, patents and domain names registration, insurance and corporate law;
- **Delivery cycle:** from bidding to post-delivery, on top of the Bid Management process and Risk Management mentioned above, control activities have been designed on the handover from bidding to delivery, follow-up of risk register and action plans, resource management control, project financial review, monitoring of project execution and termination process for a project;
- **Purchasing:** control activities have been designed on purchasing request authorisation process, key steps of procurement flow and ethics for buyers;
- **Internal IT:** control activities have been designed around protection and confidentiality of data and information including disaster recovery plans, security and access to the systems and networks;
- **Communication:** designed control activities are related to internal communication of key messages as well as procedures and policies, preparation and disclosure of announcement, public relations, communication crisis plan, financial communication, and investor relations.
- **Mergers & Acquisitions:** control activities aim at ensuring that the proper authorizations have been obtained at each step of the process, and proper tools and resources employed to secure operations.
- **Finance and Treasury:** the control activities are described in section 24.2.3.

A new version of the Book of Internal Control has been communicated throughout the Group in August 2009 in order to take into account some improvements in terms of content and layout. This framework will continue to evolve, according to evolving maturity of processes and emerging risks.

A specific action has also been led with regards to “**SAS70**” reports.

SAS70 (*Statement on Auditing Standards no.70*) defines the American professional standards usually implemented in other countries within the framework of an auditor’s report on internal control of a service to a third party. Activities of Atos Origin typically have an impact on the control environment of its clients (through information systems), which may require the issuance of “SAS70 reports” for the controls ensured by Atos Origin.

A control framework has been defined, detailing control activities related to client service. This framework has been built on the basis of the ITGI model (*IT Governance Institute’s publication titled IT Control Objectives for Sarbanes-Oxley, 2nd Edition*).

## **MONITORING**

Monitoring of internal control system includes the analysis of results of controls (identification and treatment of incidents) and the assessment of controls to ensure controls are relevant and appropriate with control objectives. This monitoring is the responsibility of the Group and Local Management, and is also supported by Internal Audit missions.

**Self assessments** have been conducted for the main functional processes (Finance, HR, IT and Purchasing) by Group process owners, in order to evaluate the level of maturity of internal control in the different countries and process areas. This has been performed through questionnaires, filled locally and challenged and analysed at Group level. Evaluation is performed against a maturity scale (from “unreliable” to “monitored”) for each control objective. Actions plans are defined where gaps are identified with desired target.

**Monitoring** of specific areas has also been performed periodically to measure improvements or deviations of controls. For example, a periodic dashboard has been issued in 2009 to report on Segregation of Duties status, and distributed to Group managers.

In parallel, **Internal Audit** has been responsible to assess the functioning of internal control system. Internal Audit has carried out reviews to ensure that the internal control procedures are properly applied and supports the development of internal control procedures. Internal Audit also defined, in partnership with Group and Local management, action plans for continuously improving internal control processes.

In 2009, Internal Audit carried out a total of 60 audit assignments assessing the functioning of internal control system: 30 in the domain of support functions (Finance, Human Resources, Purchasing and Internal IT) and 30 related to Operations/core business (mainly focus on Worldline activities). All assignments have been finalised by the issuance of an audit report including action plans to be implemented by the related division or country. Among the audit assignments achieved in 2009:

- Post-implementation audits of Group ERP system were completed for the UK and India
- Human resources as well as Finance shared service centers, implemented recently, were audited through a review of all processes transferred and of the control environment
- 4 main countries were subject to an audit of their recruitment process (including the use of a common system recently deployed throughout the Group). Assessment of their supervision structure and piloting process at Group level were also performed
- Follow-up of actions plans defined during 2008 notably regarding purchasing savings process, consolidation process, or general computer controls were carried out
- Three particular investigation audits took place
- Internal Audit has also performed an organizational review of control, risk, quality and security functions, in order to understand the existing assurance and control system within the Group, and to measure in this context how to extend Internal Audit's scope to operational risks. Operational processes and risks review is already performed for Atos Worldline activities
- As Atos Worldline provides high-tech transactional services within a highly regulated environment, Internal Audit is an important pillar for evaluation and sustainability of the effective internal control environment and adequate operational risk management. The main audit missions executed within Atos Worldline in 2009 concerned: Identity and Access Management audits, security audits for critical applications managing sensitive and confidential information, compliance audits with regard to payment services provided to bank clients, internal fraud prevention audits, audits on controls managing the financial flows for credit card processing, investigations on operational incidents

#### **Internal Control system related to the accounting and financial information**

Processes contributing to the accounting and financial information, referred as "financial processes", are in line with the internal control system of Atos Origin, and are subject to specific attention due to their sensitivity.

#### **LOCAL AND GROUP FINANCIAL ORGANISATION**

The financial processes have relied on finance teams in each country. Country CFOs had a dual reporting to local management and to Group CFO until February 2009. Since this date, country CFOs have a direct reporting line exclusively to Group CFO.

Direct reporting to Group Function, as for the other support functions, reinforces the integration of the financial function and contributes to the full alignment of key processes and provides an appropriate support to operational entities of the Group.

Piloting was ensured by Group CFO assisted by the Group Finance Executive Committee that included main country chief financial officers and Group Finance functions. This committee met on a regular basis and was in charge of the overall monitoring of the process of preparation of the financial information. Significant accounting issues, as well as potential internal control deficiencies, were reported to this committee, which decided corrective actions to be carried out.

Group Finance Department was in charge of piloting the financial processes, especially through the financial consolidation, the monitoring of compliance matters, the supply of expertise and the control of the reported financial information.

In 2009, the Financial System Alignment initiative has been launched to reinforce alignment between countries in terms of indicators and processes, as well as to streamline IT tools and reporting demand.

## **GROUP FINANCE POLICIES & PROCEDURES**

Group Finance has drawn up a number of Group policies and procedures to control how financial information is processed in the subsidiaries. These policies and procedures were discussed with the statutory auditors before issuance and included the following main elements:

**Financial accounting policies** include a Group reporting and accounting principles handbook applicable to the preparation of financial information, including off-balance sheet items. The handbook sets out how financial information must be prepared, with common presentation and valuation standards. It also specifies the accounting principles to be implemented by Atos Origin entities in order to prepare budget, forecast and actual financial reporting required for Group consolidation purposes. Group reporting definitions and internal guidelines for IFRS, and particularly accounting rules applicable in the Operations, are regularly updated. An IFRS knowledge center is in place at Group level to assist and support local operations.

Training and information sessions are organised regularly in order to circulate these policies and procedures within the Group. A dedicated intranet site is accessible to all accounting staff, which facilitates the sharing of knowledge and issues raised by members of the Atos Origin financial community.

**Instructions and timetable:** Financial reporting including budget, forecast and financial information by subsidiary is carried out in a standard format and within a timetable defined by specific instructions and procedures. Group Finance liaised with statutory auditors to coordinate the annual and half-year closing process.

## **INFORMATION SYSTEMS**

Information systems have played a key role in the control system related to the accounting and financial information, as they have both strongly structured the processes and provided automated preventive controls, but have also provided monitoring and analysis capabilities.

**An integrated ERP system** has supported the production of accounting and financial information in the main countries.

**A unified reporting and consolidation tool** has been used since the beginning of 2007 for financial information (operational reporting and statutory figures). Each subsidiary reported its financial statements on a standalone basis in order to be consolidated at Group level. There was no intermediary consolidation level and all accounting entries linked to the consolidation remain under the direct control of Group Finance. Off balance sheet commitments were reported as part of the mainstream financial information and are examined by Group Finance.

## **MONITORING AND CONTROL**

In addition to the financial processes defined, monitoring and control processes have aimed to ensure that accounting and financial information complies with rules and instructions.

**The Closing File** (included in the Book of Internal Control) is deployed at local level since 2008. It was required for each subsidiary to elaborate on a quarterly basis, a standard closing file formalising key internal controls performed over financial cycles and supporting closing positions.

**Functional reviews** were performed by Group financial support functions on significant matters relating to financial reporting, such as tax issues, pensions, litigations, off balance sheet items or business performance and forecast.

**Operational and financial reviews:** Group controlling is supporting Operations and General Management in the decision making process through monthly reviews and by establishing a strong link with country management in financial analysis & monitoring, enhancing control & predictability of operations and improving the accuracy & reliability of information reported to the Group;

**Representation letters:** During the annual and half-year accounts preparation, the management and financial head of each subsidiary was required to certify in writing that they have complied with the Group's accounting rules and policies and that, to the best of their knowledge, there was, within their scope of responsibility, no major deficiency in the control systems in place within their respective subsidiary.

**Internal Audit Department:** The review of the internal control procedures linked to the processing of financial information was a component of the reviews conducted by the Internal Audit Department. The Internal Audit Department worked together with Group Finance to identify the main risks and to focus its audit plan consequently as effectively as possible.

### **Internal Control system players**

The main bodies involved in the implementation of internal control procedures at Atos Origin are as follows:

#### **BOARD OF DIRECTORS SUPPORTED BY AUDIT COMMITTEE**

The Board of Directors prepares governance rules detailing the Board's role supported by its committees. Those committees play a key role to enlighten the Board as to the internal control system through their review and monitoring duties in a number of areas. The Audit Committee, in particular, is informed of the content and the implementation of internal control procedures used to ensure the reliability and accuracy of financial information and stays informed about the proper implementation of the Internal Control System.

#### **GENERAL MANAGEMENT AND EXECUTIVE COMMITTEE**

General Management is responsible for the management of the Group's business and focuses on strategic aspects to develop the Group. As part of its role, General Management defines the framework of the system of internal control.

The Executive Committee leads the operational performance of the Group. Its main tasks re to define and review business priorities, review Atos Origin operational performance and define corrective action plans. Management at different levels is responsible for implementing and monitoring the internal control system within their respective areas of responsibility.

#### **RISK MANAGEMENT**

Risk Management monitors, reviews and inspects the bidding, engaging in and the execution of contracts to achieve an optimum balance between risk and reward and identifies improvements in our operational processes, including controls where applicable.

#### **INTERNAL CONTROL**

Internal control function is to ensure the coordination of the internal control system, like the implementation of the Book of Internal Control and its continuous improvement within the Group. Internal control coordinates also all other initiatives of internal control.

#### **INTERNAL AUDIT**

The Internal Audit organisation is which enables a global working practice following one Group audit plan and a consistent audit methodology. Internal Audit operating principles are defined in the Group Internal Audit Charter, which was validated by General Management. The Audit Committee also received regular reports on the Internal Audit work plan, objectives of assignments, and associated results and findings. The internal audit department liaises with the statutory auditors to ensure an appropriate co-ordination between internal and external control.

#### **Outlook and related new procedures to be implemented**

In 2010, the Top Program, as largely detailed, will pursue its effects to improve and streamline processes, with benefits for the Internal Control System.

Initiatives identified through the risk mapping will be monitored to ensure that proper attention is given to those topics.

The Internal Audit Department will pursue the internal review programme initiated in 2009. In line with the planned development of the internal control system of the Group, Internal Audit plans to pursue its focus on the implementation of the Book of Internal Control and Top program. In parallel with the continuation of the self-assessment process on financial internal controls, the Internal Audit team will continue to reinforce control and verification of financial information.

**Conclusion**

Based on the above, we have no other observation with regard to internal control and procedures implemented by the Group. However, it should be noted that internal control cannot provide an absolute guarantee that the Group's goals in this respect will be achieved and that all risks will have been completely eliminated.

**Thierry BRETON,**  
Chairman of the Board of Directors